Adapting to New Economic Realities:
A Survey of Ontario Business

A Report Prepared by

the Best Practices Project

to the

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PURPOSE OF SURVEY

Industrial restructuring and global competition are increasing the pressure on Ontario businesses to re-examine the way they operate to survive and succeed.

In response to these pressures, many Ontario companies have already begun to change the way they do business. The Premier's Council on Economic Renewal recognized that some Ontario companies seemed to be further along in adjusting to the new economic realities than others. The Council was interested in identifying the types of actions those companies are taking, and the common denominators, if any, which appear to have positive results.

Moreover, because of the rapid pace of change in the marketplace, volumes of new management literature have been published to help business leaders cope. While a lot is being written on strategic planning concepts and "best practices", for instance, many managers appear to be unclear as to what these terms encompass and, more importantly, whether these concepts and practices are being widely used in their industry sector or in Ontario.

For these reasons, The Ontario Premier's Council on Economic Renewal established the *Best Practices Project* to survey a select sample of Ontario companies to find out whether these companies are, in fact, taking action to adapt to the new economic realities. If so, what is motivating these companies to make changes and, specifically, what are they doing? For instance:

1. What are the strategic themes driving individual firms these days?

2. Which "best practices" are being used most frequently?

It is hoped that the results of the Best Practices survey can be used to make a greater number of companies aware of some of the more commonly used corporate strategies and "best practices". It is also hoped that the results will stimulate discussion and interest and, where appropriate, implementation of these strategies and practices throughout the private sector and in the public sector.

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SURVEY METHODOLOGY

As indicated, this was a survey of **selected** Ontario companies. The survey team sought out companies in all industry sectors which appeared to be restructuring their operations and had either achieved good business results or at least had maintained their bottom line in spite of the severe economic downturn.

From an original list of more than 250 companies suggested by a variety of sources, 56 companies were chosen. They were selected with a view to providing balanced representation by sector, size, type of workforce, and geographic region.

The information was collected through personal interviews with the Chief Executive Officers of the companies. Each interview lasted about two hours. In some cases, follow-up interviews were conducted with human resource, quality or manufacturing executives to obtain more detailed information. Because the survey was seeking common denominators among a diverse group of companies, the interviews focused less on the details of what each company is doing, and to a greater extent on whether the company has formal practices, procedures or disciplines in place for each of the survey topics.

The companies which participated in the survey are listed in Appendix A.

The following chart shows the selected companies by employee population:

Employee Population
(56 Companies)

Number of Employees	Percentage of Companies
Over 5000	14%
3000 - 5000	13%
2001-3000	11%
1001-2000	18%
501-1000	18%
201-500	16%
Under 200	11%
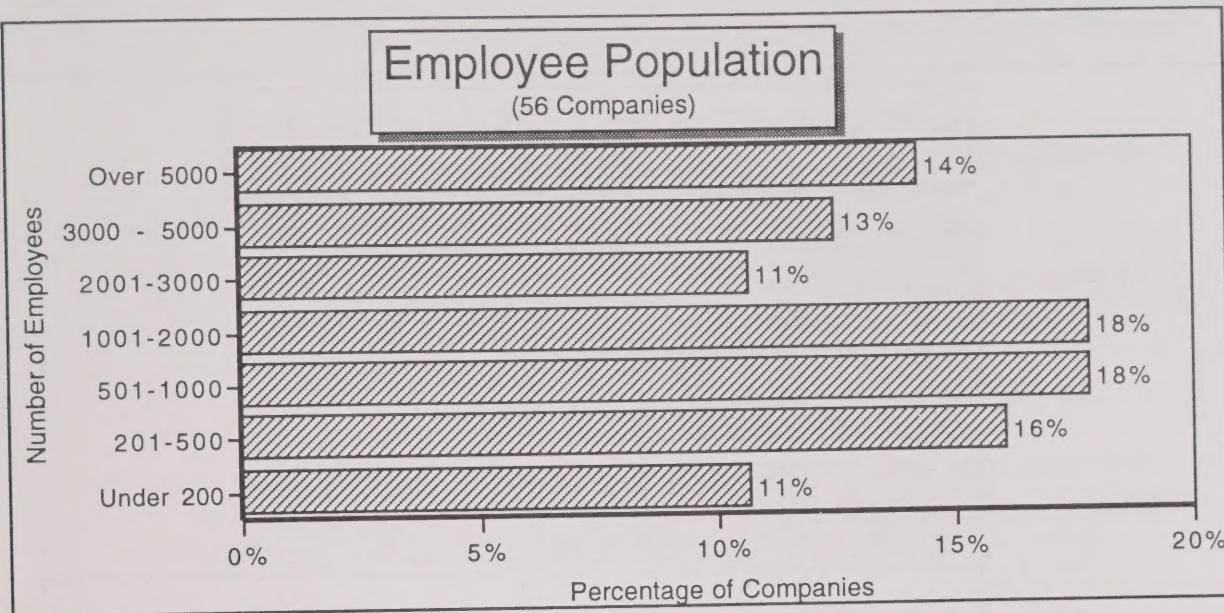
The following chart shows the selected companies by revenue:

Company Size by Revenue
(56 Companies)

Revenue Distribution	Percentage of Companies
> $1 B	18%
>$500 M < $1 B	14%
>$150 M < $500 M	27%
> $50 to < $150 M	21%
Under $50 M	20%
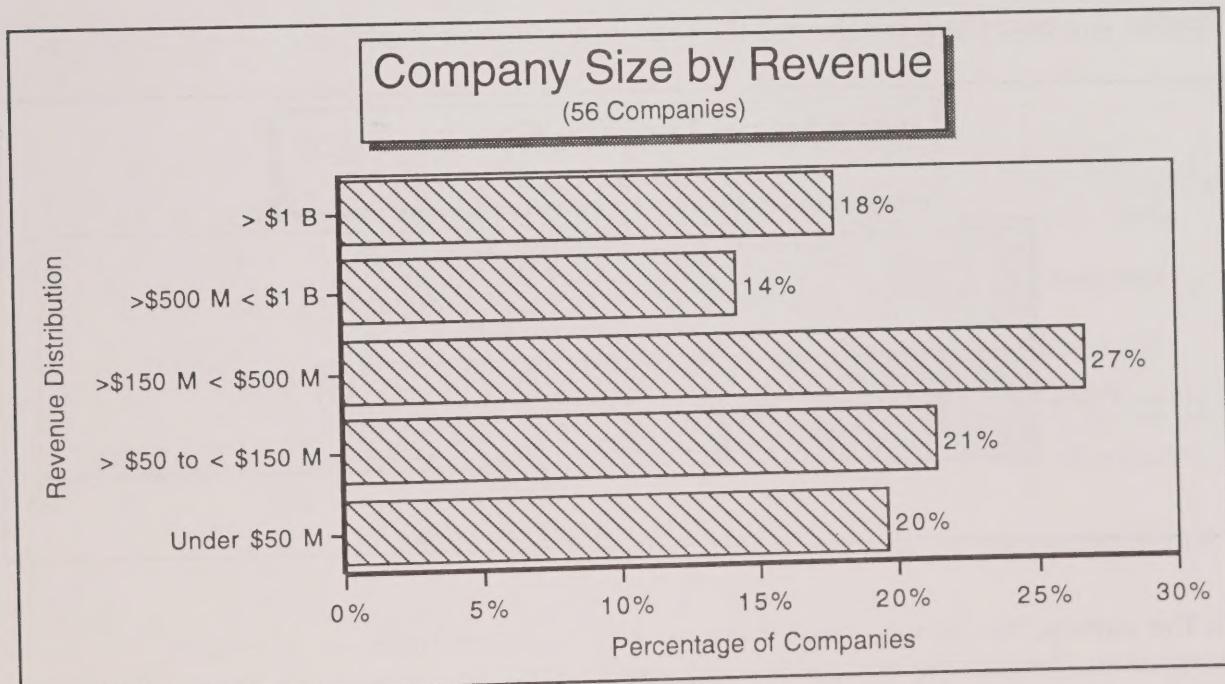
The following chart breaks out the sample by major industrial sector.

Companies - Distribution by Sector
(56 Companies)

Sector	Number of Companies
Processing	9
Service	15
Manufacturing	32
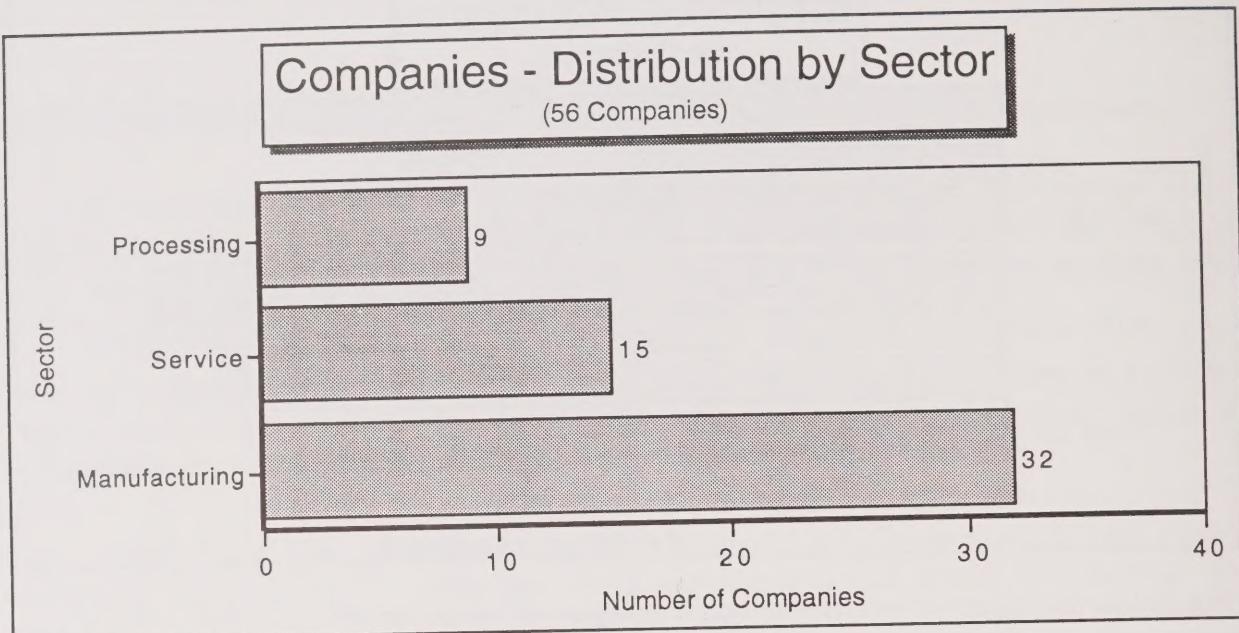
Finally, the next chart breaks out the sample by type of workforce:

Workforce Distribution by Type
(56 Companies)

Type	Number of Companies
Non-union	27
Union/Partly	29
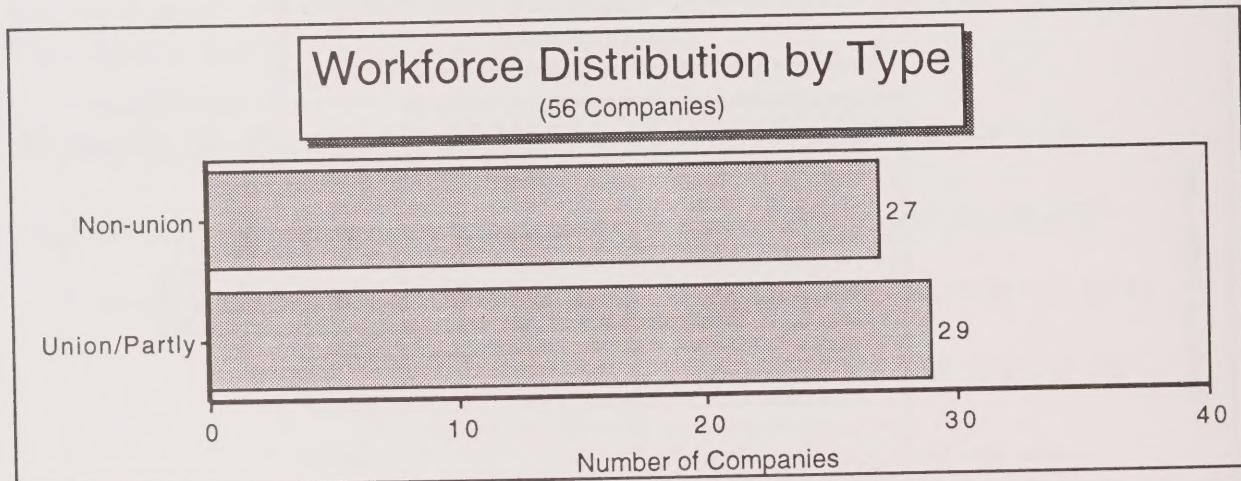
In the survey, the services sector includes financial institutions, insurance companies, hospitality companies and engineering and consulting firms. Those surveyed in the manufacturing sector include auto parts companies, precision equipment companies and information processing companies. The processing sample includes food and beverage companies.

Of the 56 companies surveyed, there were **34** Canadian companies and **22** foreign-owned firms.

It should be noted that there are no companies in the sample with less than 50 employees. We recognize that the large majority of companies in Ontario do employ fewer than 50 employees but because of their small employee population, they usually operate with a somewhat less formal infrastructure. Since these firms usually do not have the formal disciplines and programs of the kind that the study team was seeking to identify, we did not include any firms with less than 50 employees in the survey.

However, many small companies are suppliers to medium and large-size firms. A number of CEOs of the larger companies indicated that they are encouraging their smaller suppliers to adopt at least some of the strategies and practices being implemented in their own firm. This is commonly know as 'supplier pull'. Accordingly, there could be merit in conducting a separate survey of those companies with a focus on some of the topics covered in the Best Practices survey but from a somewhat different perspective.

CAVEATS

It must be noted that this survey was not intended to be a statistically valid or scientifically accurate study. Since many of the comments from the Chief Executive Officers were free form, the interviewers have exercised some judgment in their interpretation of these comments.

Further, the findings from this survey should not be construed as a formula for success. Clearly these strategies and practices can play an important role in a company's performance but they don't tell the whole story. There are a number of other factors which affect a company's competitive position, and, hence, its success.

Finally, the interviewers did not attempt to judge or verify the success or failure of the implementation of any strategy or "best practice".

INTRODUCTION

Current business and management literature advocates that individual firms need to react much faster to the global economic changes now underway. Further, there is a strongly held view that firms must look beyond their domestic markets to grow and remain viable. To capitalize on the opportunities which the new global economy offers, companies must also think strategically and take a more proactive approach to the conduct of their affairs.

In this part of the survey we sought information about the factors causing the companies to change their strategies as well as the extent to which the companies are engaging in strategic planning. We asked how many had adopted a global orientation and, finally, how they felt about their competitiveness.

MOTIVATION FOR CHANGE

During our interviews we learned that there are numerous factors motivating companies to rethink their strategies and to make major changes in the way they operate. The most common factors reported were:

Reasons Behind Current Strategies
(56 Companies)

Factor	Number of Companies
Global Environment	43
Survival	33
Recession	26
Changes in Management	10
Pace of Change	8
New Market Opportunities	8
Management Vision	5
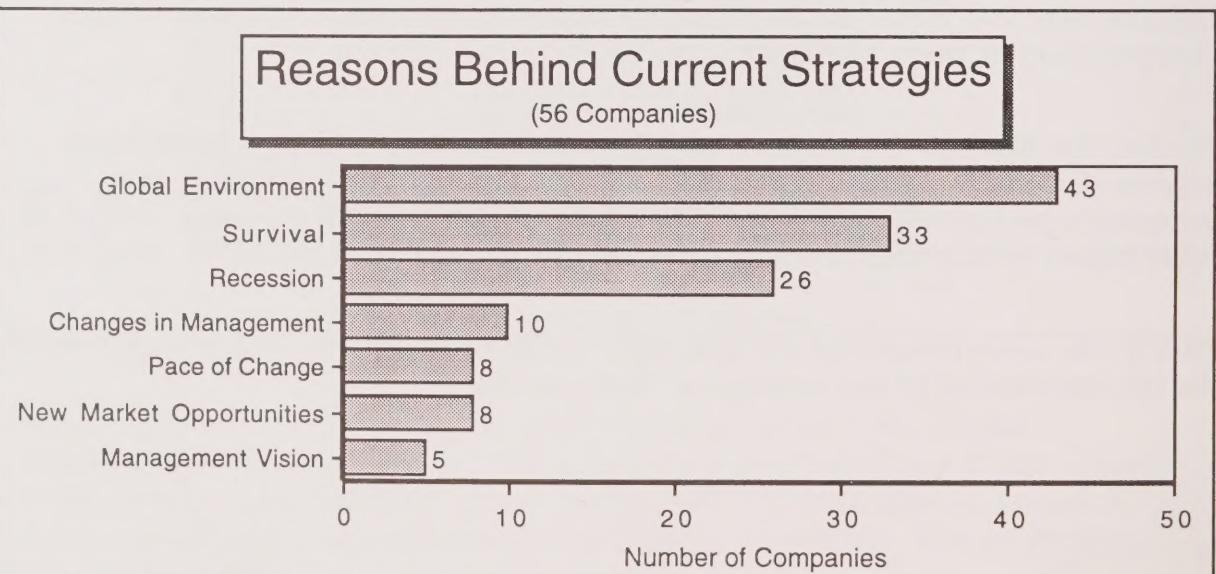
STRATEGIC PLANNING

Business literature states that strategic planning is a critical success factor. We asked whether the companies have formal processes and supporting documentation in place to help define the strategies they wish to pursue. We found a high percentage of the companies have processes with supporting documentation in place as follows:

Strategic Planning
(56 Companies)

Category	Number of Companies
Vision/Mission Statement	48
Strategic Planning Process	47
Non-financial Goals	47
Investment Strategy	39

Number of Companies
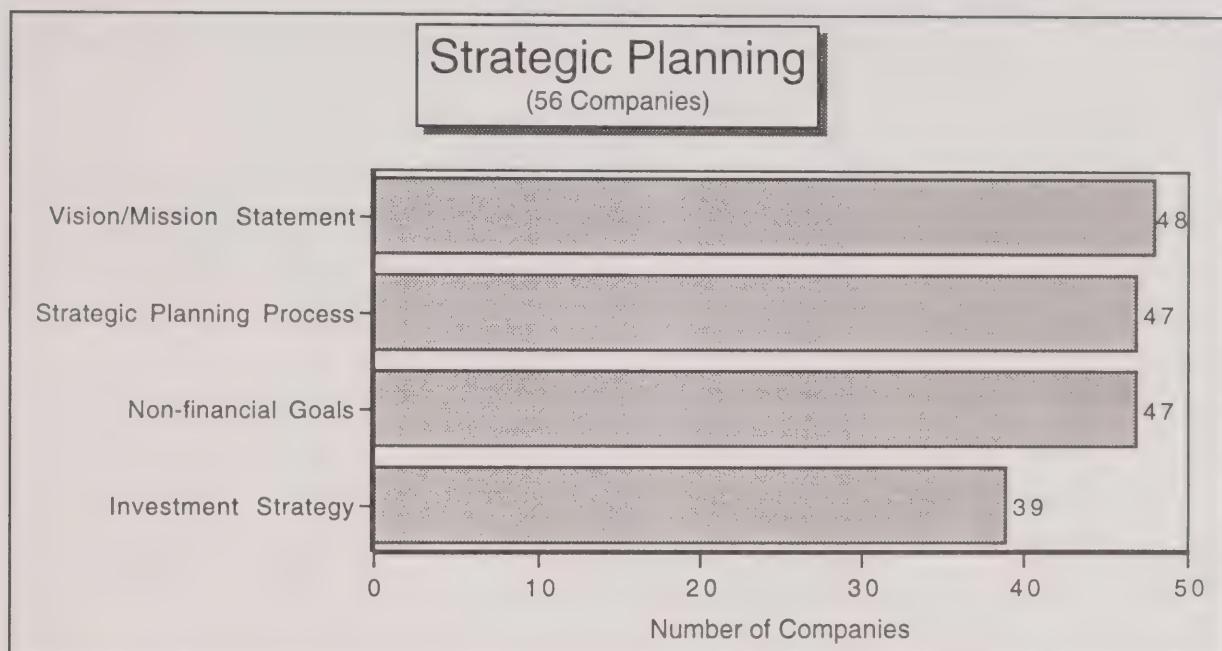
As shown, forty-seven companies reported they have non-financial goals including, for example, market share targets, the number of new product introductions each year, order fulfillment objectives, customer satisfaction targets and employee morale targets.

For the **39** companies with an investment strategy, the planned investments include corporate acquisitions, joint ventures, plants and equipment, technology, business development funds and product and process R&D.

We also found that **32** of the **56** companies have all four components -- a vision statement, a strategic planning process, non-financial goals and an investment strategy.

COMMON STRATEGIES

A good part of each CEO interview was spent talking about the company's major strategic directions. Our analysis showed the companies are following many strategies in common, regardless of the size of the company or the sector. The most common themes reported were:

Current Strategic Decisions
(56 Companies)

Strategy	Number of Companies
Technology	55
Global Orientation	51
Sticking to Core Business	42
All-inclusive Total Quality	36
Diversification within Core	31
Customer-focused	28
Expansion	26
Employee-centred	25
Alliances	20
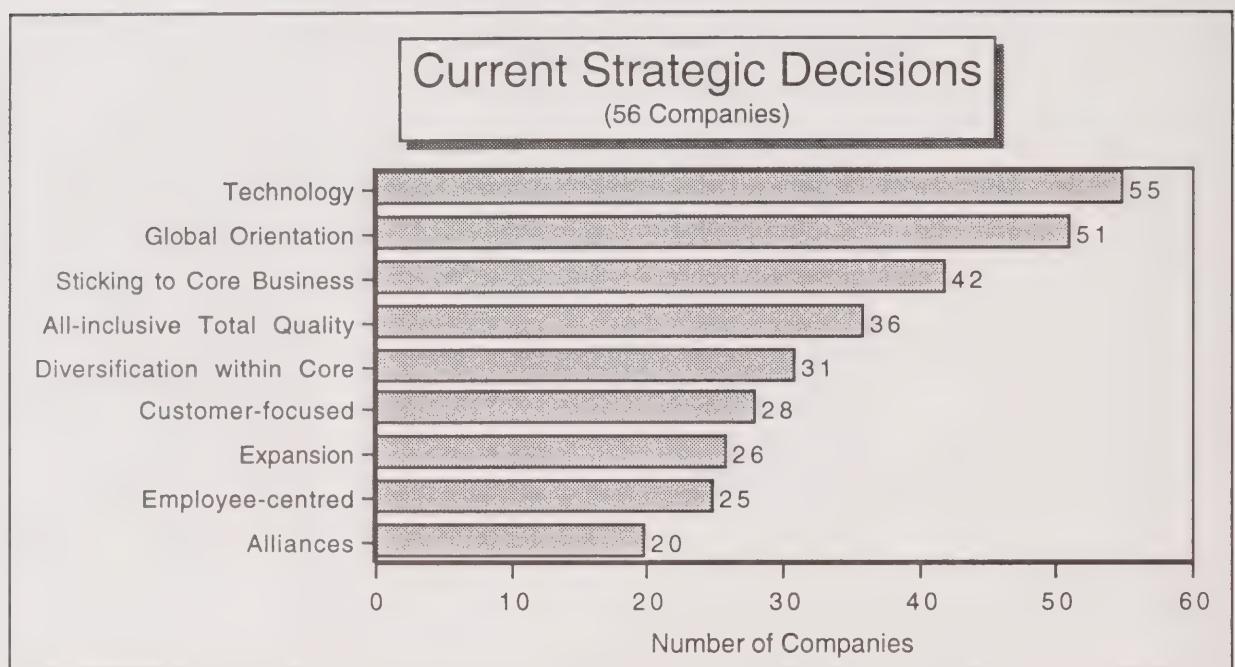
Clearly, technology was the most commonly reported theme and it will be discussed in greater detail in Chapter 6. Global orientation was the second most commonly mentioned theme and so we looked into the rationale for this high response.

GLOBAL ORIENTATION

As shown on the above chart, **51** of the **56** companies have a global orientation and, of these **31** are Canadian-owned and **20** are foreign-owned. All the foreign-owned companies are manufacturers or processors.

During the survey, we discovered the companies had two major reasons for their global orientation, namely;

(1)   They have physically established some form of business operations in another country or countries and, therefore have become **multinational corporations**.

(2)   They **export** goods or services to another country or countries.

It should be noted that none of the companies in the sample reported they had a global orientation primarily because they faced **import** competition.

Because of their firm's global orientation, the CEOs feel under increasing pressure to have their firms become or remain internationally competitive.

The information was analysed to determine how many companies fall into each of the two categories, i.e. **multinational corporations or exporters.**

For the purposes of the analysis, a distinction was made between the Canadian-owned companies and the foreign-owned companies. By definition, the parents of foreign-owned companies fall into the multinational category. We were only interested in the Canadian subsidiaries of foreign-owned companies which export from Canada, or those subsidiaries with operations in other countries which are controlled or managed from a Canadian base. We found:

Global Orientation
(51 Companies)

	Canadian-owned	Foreign-owned
Foreign Operations	28	2
Exporters	3	18

Accordingly, a very high percentage of the Canadian-owned companies in the sample, namely **28** out of **31**, have become multinational companies.

An equally high percentage of foreign-owned companies, **18** out of **20**, export to other countries from Canada, most often on an inter-company basis within their global family.

Moreover, **15** of the foreign-owned companies have a product mandate to supply one or more products to their sister organizations in North America or worldwide.

COMPETITIVENESS

In an increasingly global marketplace, we felt it would be useful to get a sense of how the companies gauged their own competitiveness. The CEOs were asked to rate their firm's competitiveness and gave the following responses:

Competitiveness
(56 Companies)

Rating	Number of Companies
Very Competitive	19
Variable	16
Satisfactory	7
Need to Improve	14

Number of Companies
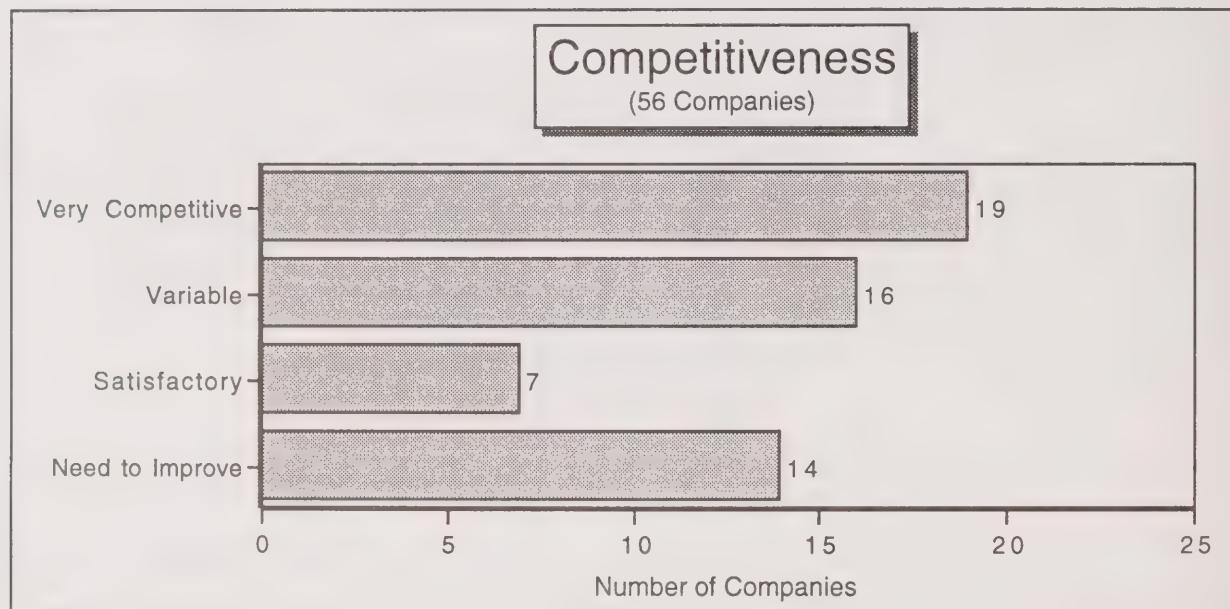
Variable means the company believes it is very competitive in some parts of its operations but not as competitive in other parts.

Of particular note, **55** of the **56** firms feel they need to be still more competitive. Even those that feel they are currently very competitive recognize they cannot rest on their laurels.

We also sought to determine whether there were any common elements in the barriers to competitiveness and so the CEOs were asked to identify the major impediments they are encountering in being competitive. The following graph shows the impediments which were most frequently mentioned:

Impediments to Competitiveness
(56 Companies)

Impediment	Number of Companies
Fiscal Policies	12
Gov't Regulations	10
Resistance to Change	10
Cost of Inputs	10
Internal Attitudes	8
Management	7
Education/Skills Level	7
Marketing	7
Cost of Labour	6
Unions	6
Lack of Capital	6
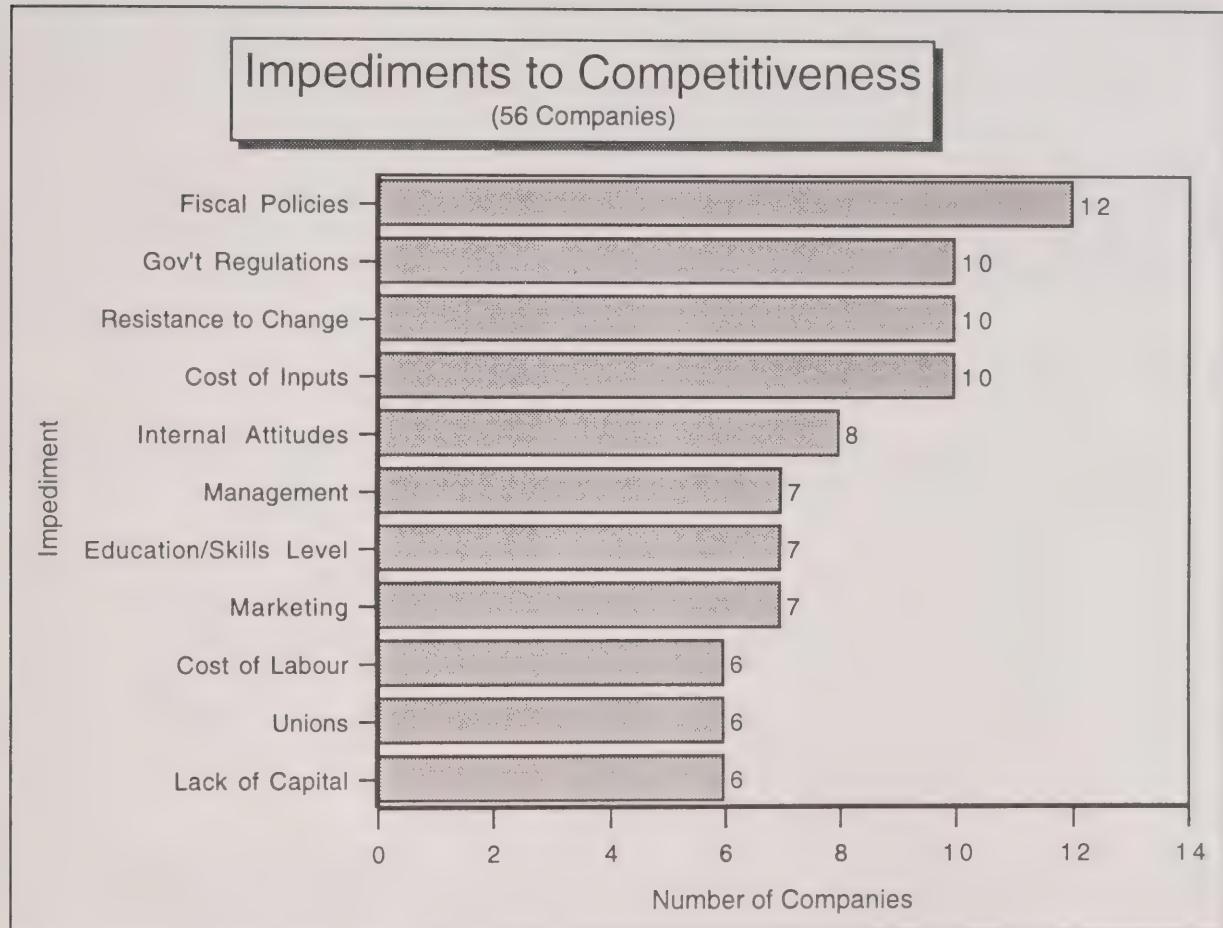
INTRODUCTION

With the introduction of new technologies and the pressures of global competition, we were interested in finding out what is happening to people and the organization of work. One of the common assumptions these days is that companies continue to view employees as their key asset. There is another common assumption that the way in which work is performed needs to change from the traditional hierarchical command and control style if companies are to be competitive. Because of these beliefs, a considerable part of each interview was devoted to human resource policies and practices and other issues in the workplace. We found that many of the companies interviewed have a major focus on employee involvement and nearly every CEO agreed that a firm's employees are its most important asset.

MANAGEMENT/NON-MANAGEMENT RELATIONS

In the parts of the interview looking at work and people, the CEOs were asked how they felt about the relationships between managers and non-managers in their firm and responded as follows :

Management/Non-management Relations
(56 Companies)

CEO's Response	Number of Companies
Excellent	18
Good	28
Variable	4
Need Improving	6
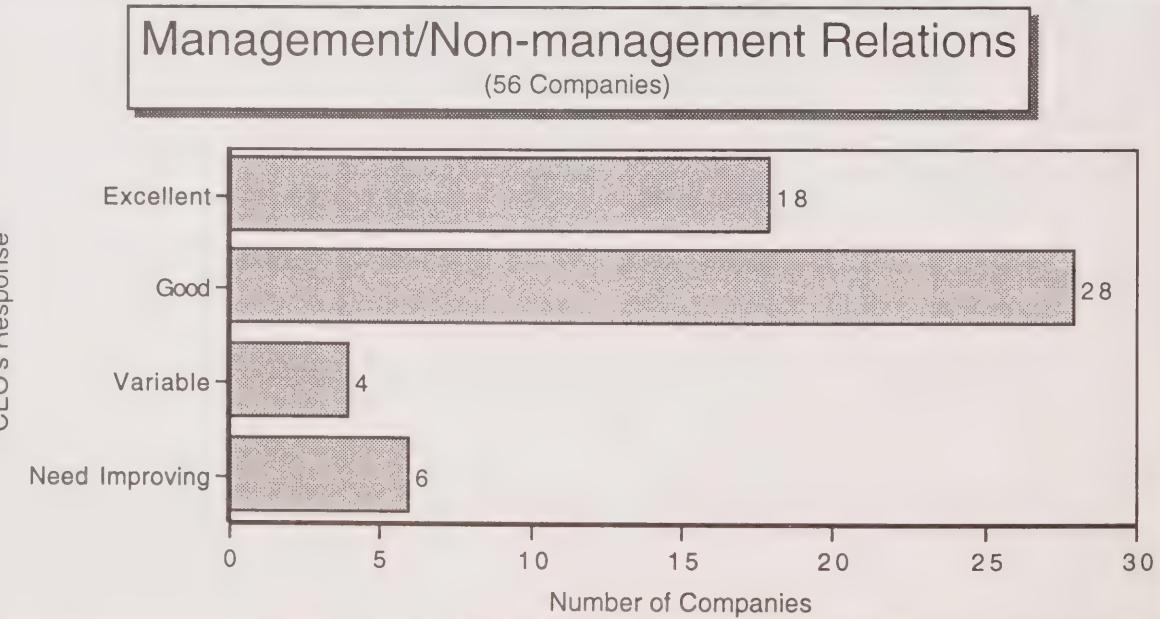
The information we obtained was analysed to determine whether there are any significant differences in the management/non-management relations in those companies with both unionized and non-unionized production operations. The analysis disclosed no significant differences.

The CEOs were also asked about the factors they feel contribute to good management/non-management relations in their firms and responded as follows:

Factors that Assist Good Relations
(56 Companies)

Factor	Number of Companies
Openness/Communication	44
Financial Rewards/Recognition	13
"No Secrets" Policy	11
Trust	9
Empowerment	9
Unions	4
No Unions	3

Number of Companies
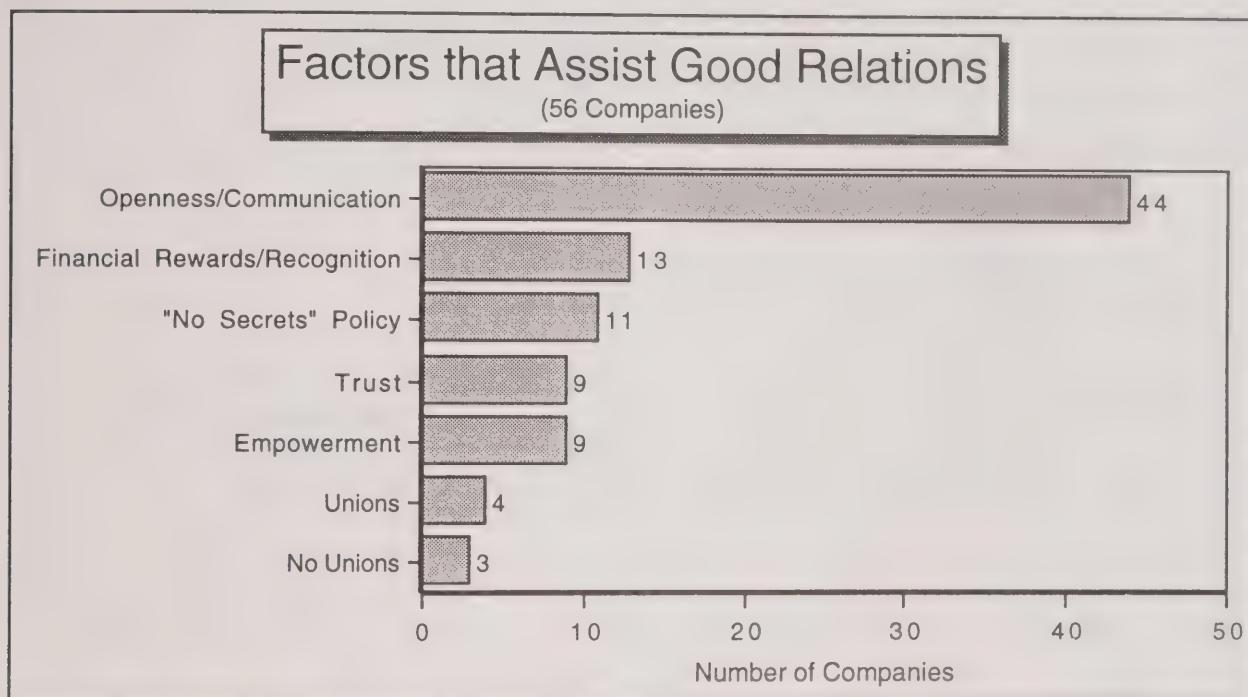
An interesting point is that many of the privately-held companies, which traditionally have not given much detailed financial or operational information to their employees, now have a '*no secrets*' policy as far as their employees are concerned. **11** companies in the survey have adopted this approach.

The CEOs were also asked to identify the major impediments they face in achieving or maintaining good management/non-management relations in their firms. The next graph shows the factors which were most frequently mentioned.

Factors that Impede Good Relations
(56 Companies)

Factor	Number of Companies
Lack of Job Security	23
Management	15
Poor Communications	9
Unions	7

Number of Companies
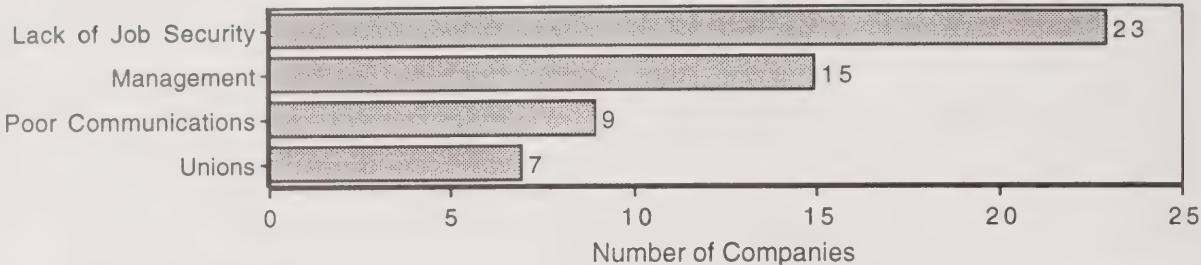
Accordingly, internal factors were most often given as the key impediments.

HUMAN RESOURCE PROGRAMS AND PRACTICES

Traditionally, companies have used a variety of human resource policies and practices to improve productivity and employee morale. The survey covered several of these more commonplace human resource policies and practices to determine what is currently "in vogue". The findings are as follows:

Traditional Human Resource Programs & Practices
(56 Companies)

Program / Practice	Number of Companies
Skills Dev. & Retraining	51
Performance Appraisals	50
Awards/recognition	40
Management Training	40
Communication Channels	37
Variable Compensation	30
Employee Sat. Surveys	28
Profit Sharing	23

Number of Companies
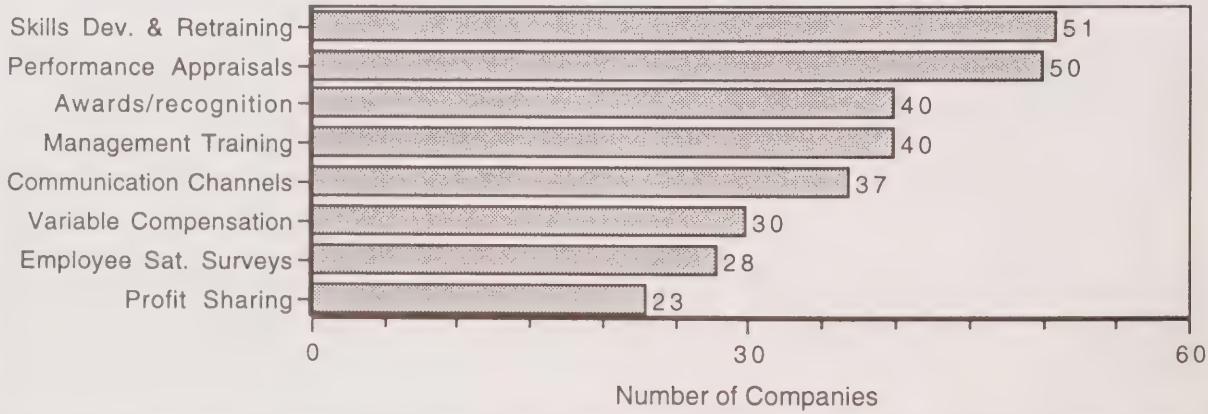
For the purposes of the analysis in the previous chart, performance appraisal programs, variable compensation plans and profit sharing plans were included only if these programs and plans were being extended to non-managers. As well, variable compensation plans limited to sales representatives were not included.

The information was analysed to determine if there are any significant differences in the use of these policies and practices for **unionized vs non-unionized** employees. There are some differences as follows.

Human Resource Programs
Union and Non-Union Employee Groups

Type of Program	Union Employees	Non-union Employees
Employee Satisfaction Surveys	13	15
Profit Sharing	9	14
Variable Compensation	8	22
Performance Appraisals	4	46
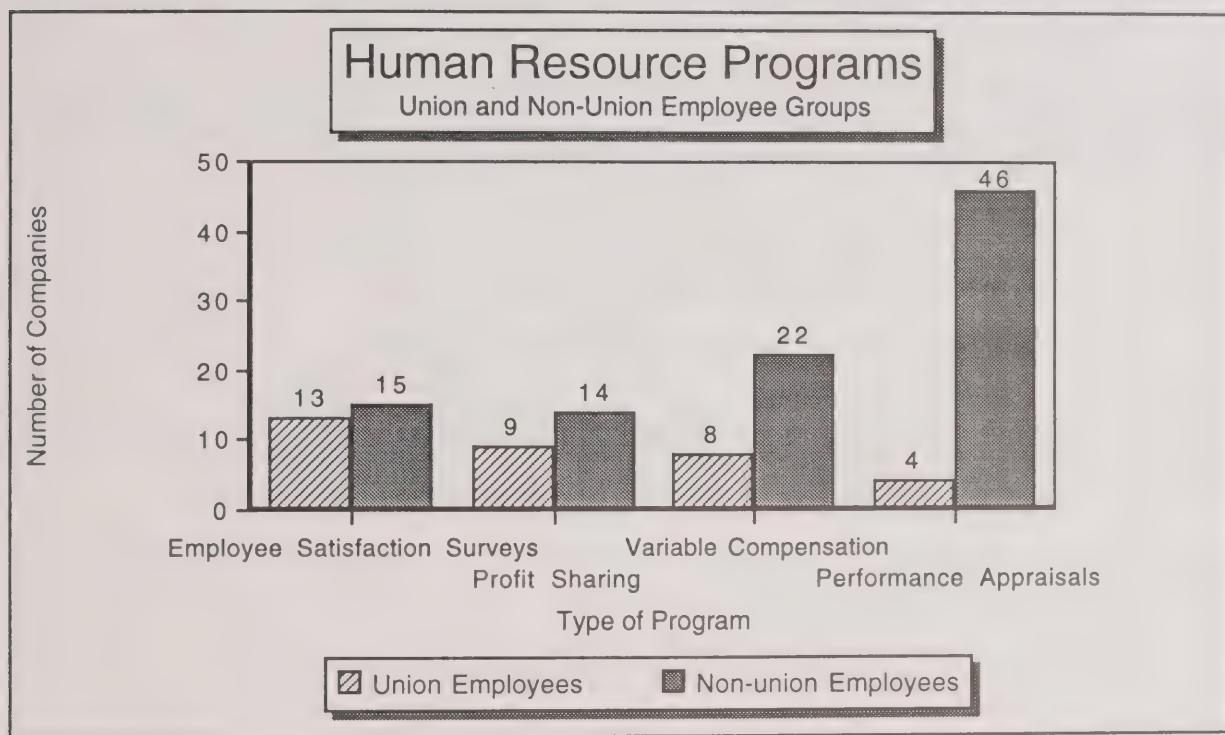
Our examination of the current activity in the human resources area indicates that the more traditional practices such as variable compensation and the newer practices such as multi-skill job classifications are both being used to influence the way people perform their work. We will take a closer look at this development later in the chapter.

CHANGES IN THE ORGANIZATION OF WORK

As already mentioned, there is a commonly held view that, in today's environment, work is must be done in a dramatically different way from the way work was being

performed five to ten years ago. This change is purportedly required for a variety of factors including;

- the dramatic developments in technology
- the explosion in the number of knowledge workers
- the need to meet employees' current expectations
- the complexity of work
- the need for companies to add value to their products and services
- the need to satisfy customers

Most of the companies in the survey have already begun changing the way work is being done. Some have made changes extensively throughout the firm; others are still experimenting or are in pilot mode. We found:

- **44 companies are making changes**
- **26 of these are making extensive changes**
- **7 more are considering extensive changes**

The following are examples of the type of changes which the **44** companies have implemented or are implementing:

Examples of Changes in the Organization of Work
44 Companies with Changes

| Change	Number of Companies
Mini-factories	16
Self-managed Teams	14
Self-directed Teams	25
Cross-functional Teams	23
Project Management	19
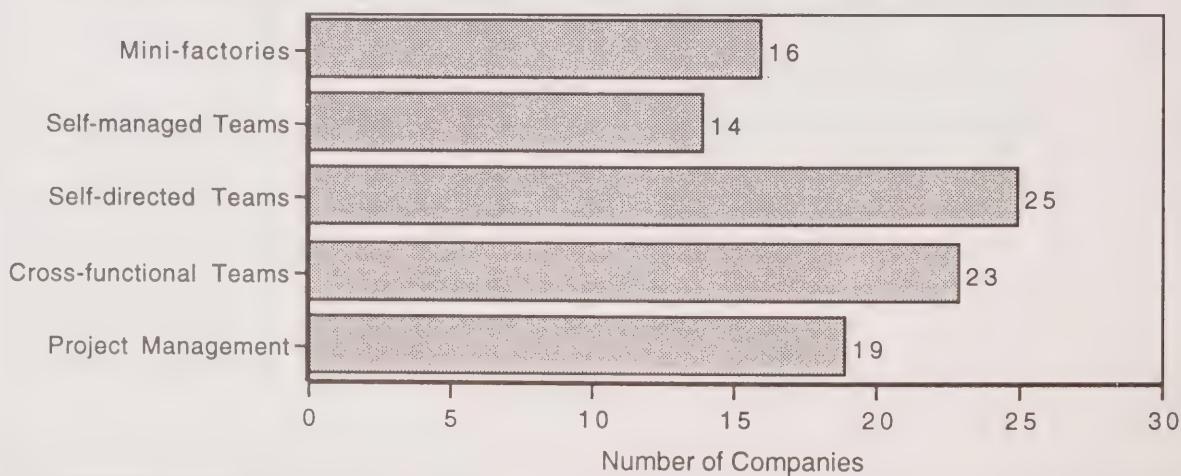
In another part of the survey, we found a larger number of companies (including the above) have implemented practices such as multi-skilling (36) and flex hours (34). Many of these firms did not report these practices as innovations in the workplace since, in many cases, they have been in place for some time.

Of the 44 companies which have made changes in the organization of work, 23 have at least some unionized workers and 21 do not have unionized workers. As indicated by the following chart, the changes in the way work is being performed are not limited to non-union workforces. Many unionized workers are involved in these newer work arrangements.

Changes in the Organization of Work
Comparison of 44 Firms by Employee Group

Number of Companies vs Type of Change

- Project Management: 7, 12
- Cross-functional Teams: 13, 10
- Self-directed Teams: 17, 8
- Self-managed Teams: 6, 8
- Mini-factories: 11, 5

Legend: Union/partly union firms (23), Non-union firms (21)
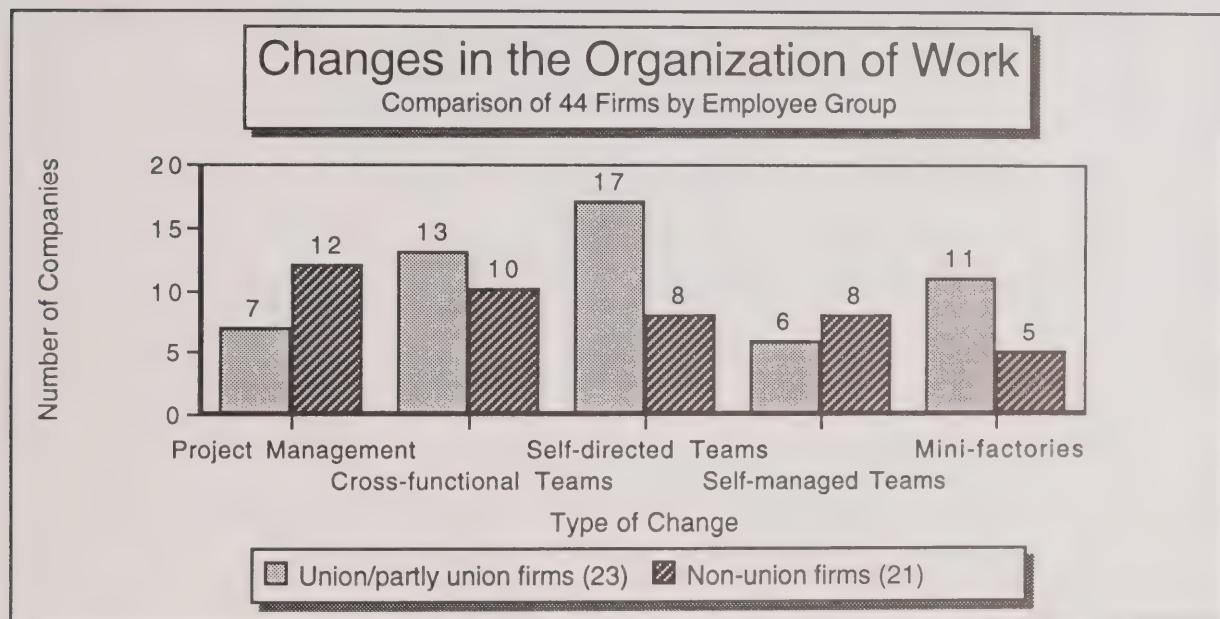
Another question in the survey looked at employee involvement in designing changes in the organization of work. The CEOs were asked whether their firms had involved their unionized or non-unionized non-management employees in the design and implementation of changes in work organization.

As indicated in the following two charts, the results show no significant difference in employee involvement between the unionized and non-unionized companies.

Employee Input to Organization of Work
23 Companies with Union & Non-Union Workers

Number of Companies

Type of Worker

Union workers — 16
Non-union workers — 17

☐ Union workers   ▨ Non-union workers
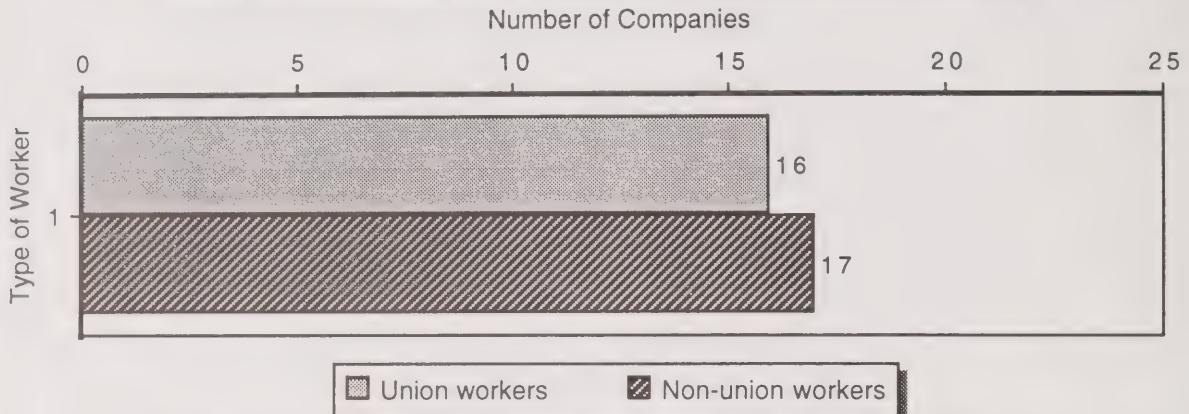
Employee Input to Organization of Work
21 Companies with Non-Union Workers Only

Number of companies

17
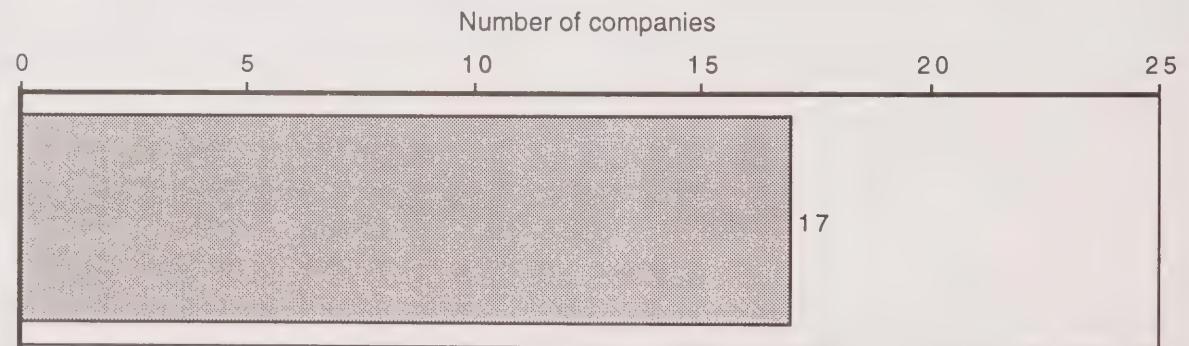
The CEOs were also asked how the changes in organization of work had affected the management/non-management relations in their firms. The responses were as follows:

- **40 positive**
- **1 negative**

- **3 too early to tell**

Only **3** CEOs mentioned specifically that there had been a significant number of people unable to adapt to changes -- frequently those in middle management ranks.

NEWER HUMAN RESOURCE PROGRAMS AND PRACTICES

There is a general belief that companies are implementing a number of less traditional human resource policies and practices designed to encourage people to work differently. For this reason, the CEOs were asked to what extent their firms had implemented some of the newer human resource policies and practices which appear to be more in line with and more supportive of some of the newer ways to work. The responses were as follows:

New Human Resource Practices
(56 Companies)

Practice	Number of Companies
Empowerment	38
Workplace Flexibility	37
Multi-skill Job Descriptions	36
Non-management Career Path	24
Job Security	8
Work at Home	5

Number of Companies
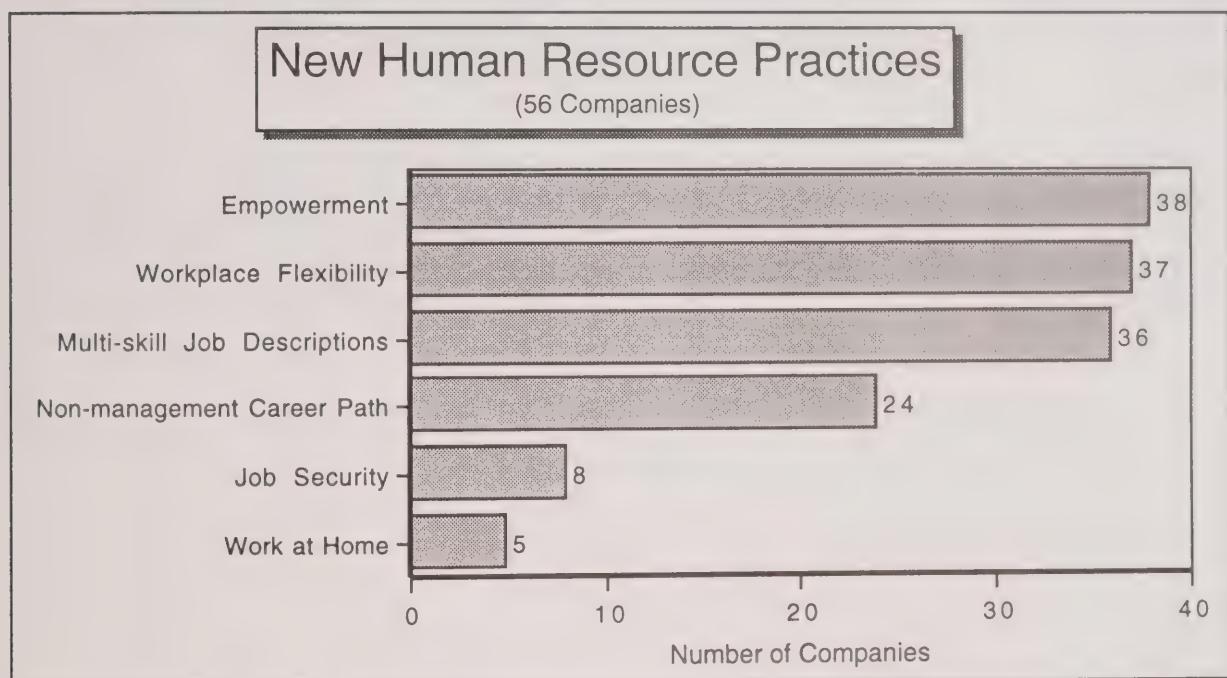
We also found that the now somewhat traditional human resource policies and practices (**e.g. skills development, performance appraisals, profit sharing and variable compensation etc.**) while being used, are now being redirected or refocused to be supportive of the new ways to work. For example, skills development remains important but its focus has expanded from specific skills-oriented training to include a broader range of subjects such as literacy, problem solving, team building and leadership skills.

In support of the increasing use of teams, corporate award programs are shifting more toward recognition of the team than the individual. Profit sharing and variable compensation plans are being adapted to support changes in the organization of work such as teamwork and empowerment. Increasingly, these plans are being extended to non-management employees.

In many cases, companies are broadening job descriptions and promoting multi-skilling to enrich the job content for employees and provide the company with a more flexible and adaptable workforce.

Many CEOs regard "open communications" as a major factor in establishing and maintaining good management/non-management relations. The study found that many companies are stepping up their communications efforts and, among other things, are making full disclosure of financial and operational information to all employees.

In addition to the traditional "top down" corporate communications programs, many of the companies in the survey also have introduced imaginative "bottom up" communications programs to encourage two-way communications with non-management employees. The following are some of the catchy titles being used for these programs.

- Bearpit Lunch
- Rx Express
- Top of the Top

- Straight To The Top
- Hot Boxes
- Open Door

THE PROCESS OF CHANGE

The major drivers of change appear to fall into two distinct categories. One can be described as the *Employee-centred* model, usually driven by an emphasis on improving productivity and efficiency. The other can be described as the *Total Quality* model, usually driven by a desire to improve quality across the entire organization. The following chart highlights the major characteristics of each model:

Process of Change

Two Different Models Driving Change

- **Model A - Employee-Centred**
    - desire to improve productivity/efficiency
    - focus on streamlining processes
    - empowered employees
    - instigated by management

- **Model B - Total Quality**
    - desire to achieve total quality
    - worker involvement in all aspects
    - resulting demand for workplace changes
    - instigated by employees

Many of the companies which started with the *employee-centred* model have subsequently introduced Total Quality or Continuous Improvement Programs, and, because change is already underway, these programs have accelerated the process of change.

CHAPTER 4 - PRODUCTS AND SERVICES

INTRODUCTION

Another key trend in the business world appears to be an increased focus on the customer. It is believed that companies which are succeeding today are spending considerable time and effort getting to know their customers' needs and wants, and designing and adapting their products and services to better meet these needs and wants. In our preliminary research, there was also some indication that companies are using a greater number of marketing channels than they had used in the past in order to reach their customers or potential customers.

In this part of the survey, we sought information about the product and services strategies and customer outreach activities of Ontario companies. We also wanted to find out whether they use multiple marketing channels.

PRODUCT AND SERVICES STRATEGIES

As indicated in the following chart, we found that the companies in the survey use a variety of product and services strategies.

Product and Services Strategies
(56 Companies)

Strategy	Number of Companies
Value-add	51
Niche	42
Differentiation	40
Diversification	31
R & D	42
Accelerate Dev. Cycles	42
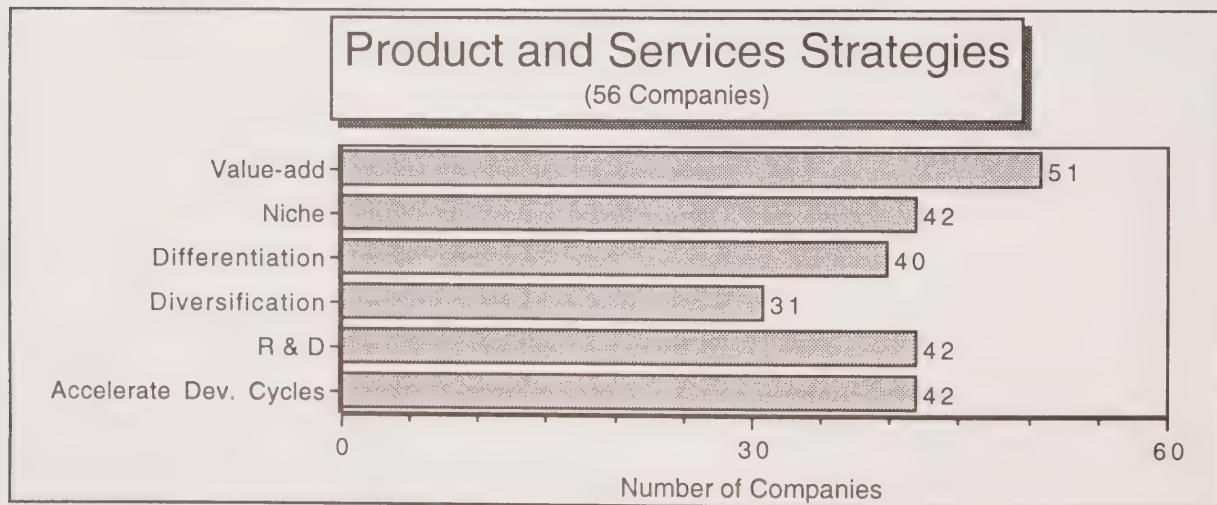
As part of their value-add strategy, **13** companies in the survey are now involved in a marketing strategy which is increasingly being described as *"solution selling"*. Under this strategy, a company combines a mix of products and services, specifically chosen by the company, to provide a total solution to satisfy its customer's requirements. *"Turnkey"* contracts are, in many cases, another example of *"solution selling"*.

As indicated above, three-quarters of the companies reported they have a major focus on speeding up their product and services development cycles.

Further, of the **31** companies which reported a diversification strategy, **25** are diversifying within their core technology or expertise, **5** are diversifying both inside and outside their core business, and **1** is diversifying solely outside its core business.

We analysed the results by Manufacturers/Processors and Non-Manufacturers and found there were no significant differences in the product and services strategies for each group.

CUSTOMER OUTREACH

As indicated by the following chart, 47 out of the 56 companies in the survey reported they have formal programs or disciplines in place to proactively seek out regular feedback from their customers and prospects.

Customer Outreach
(56 Companies)

- **47 have formal programs to understand customer needs and wants**

  - 36 manufacturers/processors   11 non-manufacturers

- **39 have customer satisfaction surveys**

  - 30 manufacturers/processors   9 non-manufacturers

- **28 companies with total quality programs have customer quality surveys**

  - 21 manufacturers/processors   7 non-manufacturers

- **28 have strategies for existing versus potential customers**

  - 18 manufacturers/processors   10 non-manufacturers

The formal programs to understand customers' needs and wants go well beyond the traditional feedback from sales representatives. Customer satisfaction surveys, customer focus groups, customer advisory councils, prototype testing, and jointly prepared designs or specifications were among the programs mentioned. Those companies engaged in *"solution selling"* also saw this strategy as an excellent way to better understand customer needs and wants.

Formal programs aimed at retaining existing customers were in place in half the companies surveyed. Most of these companies have a large customer base. They found they had been putting too much emphasis on pursuing new customers at the expense of satisfying existing customers. They have now recognized it is more profitable to retain their existing customers. A number of other companies with a small customer base stated that satisfying existing customers is, of necessity, a key strategy.

We analysed the results by Manufacturers/Processors and Non-Manufacturers and found there were no significant differences in the customer outreach strategies of the two groups.

MARKETING CHANNELS

We found a number of companies in the sample are using multiple marketing channels to sell their products or services.

Marketing Channels
(56 Companies)

Channel	Number of Companies
Direct Sales	54
Distributors/Wholesalers	35
Dealers/Agents	34
Advertising & Promotion	34
Alliances	29
Telemarketing	28
Direct Mail	24

Number of Companies
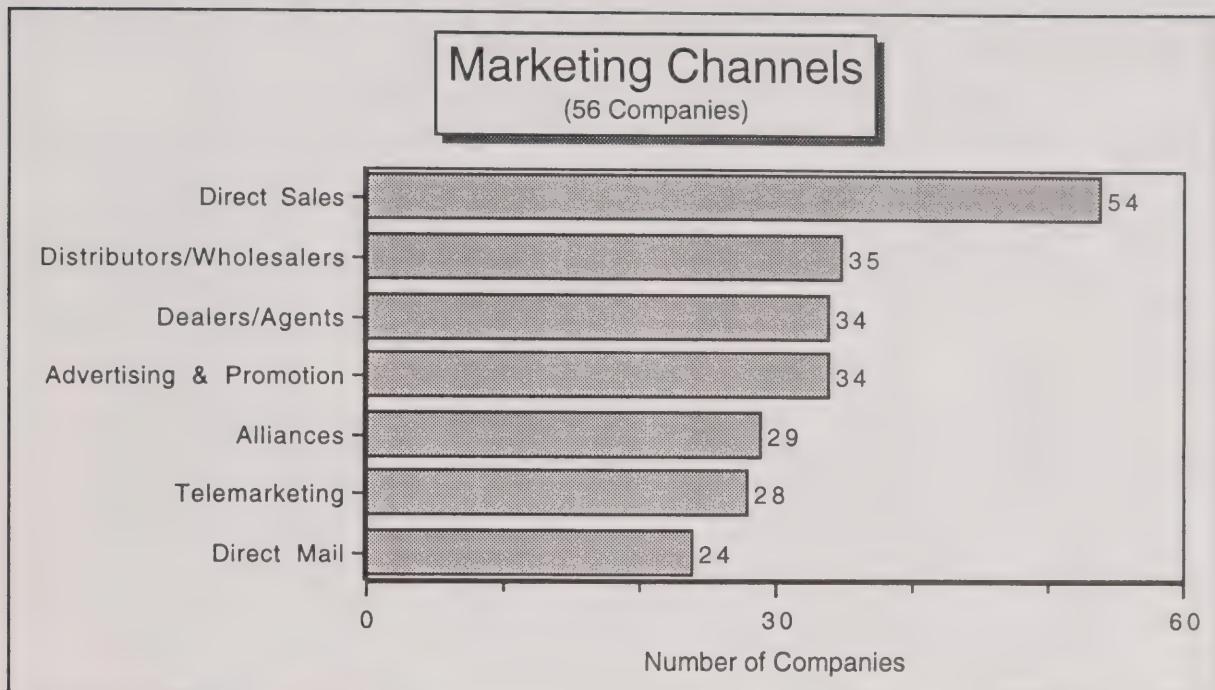
As well, **35** CEOs said they have strategies in place to extend or expand their market coverage by using new marketing channels, by increasing their penetration of existing markets, or by expanding geographically.

We reviewed the results for the Manufacturers/Processors and Non-Manufacturers. The differences are not large, but, the Non-Manufacturers are making proportionately greater use of marketing alliances and direct mail.

However, the results showed that there are significant differences between the more traditional manufacturers and those manufacturers who add a substantial services component to their products and are often referred to as *"manu-service"* companies. Of the **41** Manufacturers/Processors in the sample, **13** can be considered *"manu-service"* companies. Many of these are from the "hi-tech" industry sectors. The following chart shows in percentage terms the marketing channels used by each group:

Marketing Channels
Comparison of Mft/Proc. and Manu-Service Firms

Legend:
- Mft/Proc (28 in total)
- Manu-Service (13 in total)

Channel	Mft/Proc	Manu-Service
Direct Mail	29%	54%
Alliances	29%	62%
Telemarketing	43%	62%
Advertising	57%	77%
Distributors/Wholesalers	71%	85%
Dealers/Agents	43%	100%
Direct Sales	96%	100%
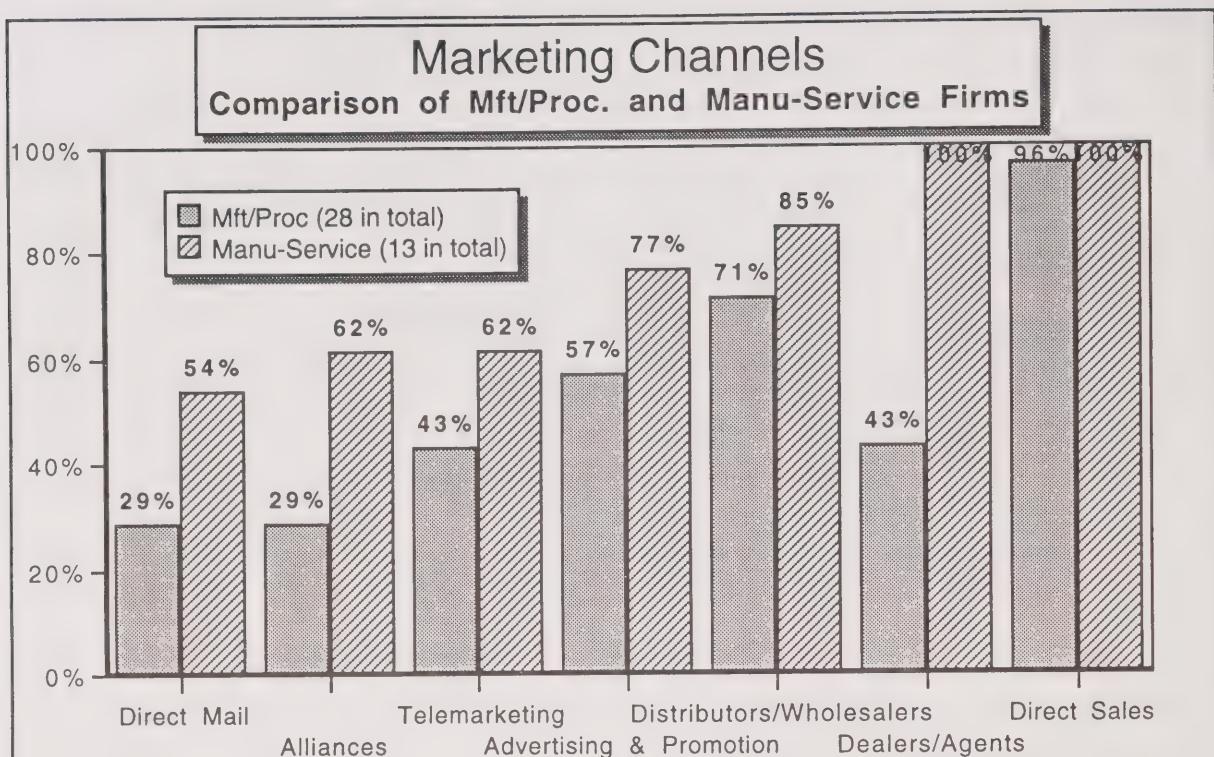
Proportionately, the *"manu-service"* companies reported using more multiple marketing channels than the traditional manufacturers. Also, more of these firms have a strategy to extend or expand their market coverage than the traditional manufacturers.

CHAPTER 5 - PRODUCTION

INTRODUCTION

Today, there is a prevailing view that manufacturers need to make very dramatic changes in the way they develop and produce their products to be globally competitive. Those holding this view claim the old "Taylorism" or assembly line model of production is passé.

In this part of the survey, we sought information about production strategies, relationships with suppliers, product and process R&D, and product and production development cycles. We have included processing companies with the manufacturing companies in the analysis for this chapter because both sectors are involved in production. Therefore, the analysis is based on a sample of **41** companies.

PRODUCTION STRATEGIES

As indicated in the following chart, the companies in the Manufacturing/Processing sectors reported using a number of strategies and techniques which demonstrate a departure from many of the traditional manufacturing or processing strategies and techniques. For example, more than three-quarters are involved in processing R&D or Cad/Cam.

Production Strategies
(41 Companies)

Strategy	Number of Companies
Process R & D	35
Cad/Cam	33
Statistical Processing	32
Just-in-time	26
Team Work Stations	26
Robotics	22
Alliances & Partnerships	17
Supplier Development	36
Develop. & Prod. Cycles	35
Supplier Identification	26
Material Management	23
Distribution	22

Number of Companies
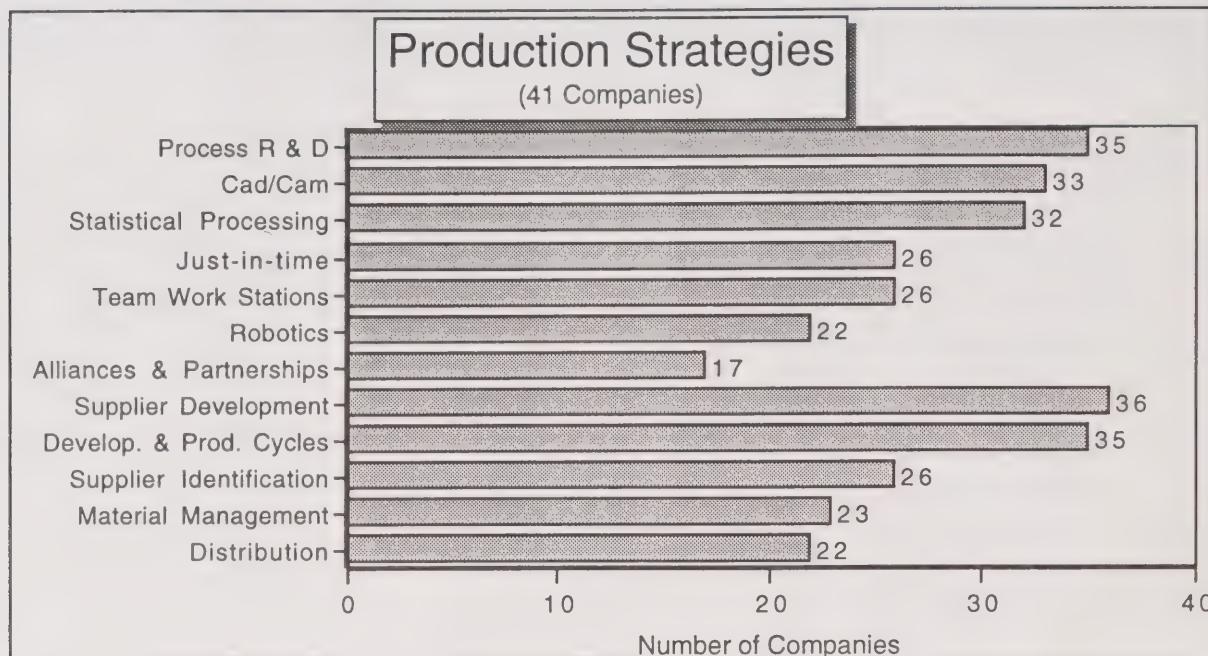
In the manufacturer/processor companies surveyed, **11** of the companies have unionized workers in all their plants, **14** companies have unionized workers in some plants but not in others, and **16** companies do not have any unionized workers. However, our analysis did not disclose any major differences in the production strategies used among these three groups of companies.

10 of the **17** manufacturing/processing companies with production alliances also reported that they have marketing alliances. We found a general consensus that companies expect to develop more of each kind of alliance in the future.

SUPPLIER IDENTIFICATION AND DEVELOPMENT

The survey found that more than half the **41** companies have supplier identification programs, and an even greater number have supplier development programs.

Supplier Identification and Development
(41 Companies)

- **26 have supplier identification programs**
  - 2 of the above are moving toward "fewer suppliers"

- **36 have supplier development programs**
  - 18 of these are seeking "long-term" relationships

As shown on the chart, one-half the companies with supplier development programs reported that they are seeking to establish long-term relationships. These companies believe there are advantages to long-term relationships including security of supply, cost savings and, perhaps most importantly, the ability to deal with suppliers who understand and can meet increasingly demanding requirements.

RESEARCH AND DEVELOPMENT

As indicated below, many of the companies in the survey are involved in product R&D.

R and D -Manufacturing/Processing Sector
(41 companies)

- **37 companies are doing product research**
  - 17 of these are Canadian-owned

- **35 companies are doing process research**
  - 17 of these are Canadian-owned

- **33 companies are doing both product and process research**
  - 17 of these are Canadian-owned

- **33 companies are accelerating both product and production cycles**

The chart shows almost as many companies are conducting process R&D as product R&D, and most are doing both. The CEOs agreed that the processes of production are now as important as coming up with the right product design. Given the need to constantly develop and improve the means of production, it has become increasingly important to make major investments in process R&D.

Also, as shown on the chart, **33** of the Manufacturing/Processing companies surveyed reported a focus on accelerating both product development cycles and process development cycles. The CEOs said they are placing major emphasis on getting their products from the drawing board to the market much faster. It is also clear they recognize that product R&D and process R&D can no longer be done sequentially. Now, if they want to speed up development cycles these activities must be done in concert.

The survey results showed that the emphasis on getting products to market faster applies to both the processing and manufacturing sectors. As the CEO of a major food processor put it,*"We must be the fastest from gate to plate"*. And, as the CEO of a well-known computer manufacturer said, *"Better never than late"*.

CHAPTER 6 - TECHNOLOGY

INTRODUCTION

There is a general concern that Ontario firms are lagging behind firms in other jurisdictions in their use of technology and, therefore, are finding it difficult to be competitive.

In this part of the survey, we sought information about the use of technology, whether the firms have been making major investments in technology and how the firms feel their use of technology compares with that of their competitors.

Technology was defined to be all types of technology including product technology, process technology and information processing technology.

TECHNOLOGY STRATEGIES

As indicated in the following chart, all but one of the CEOs surveyed placed a high priority on technology and, despite the recession, reported they have made major investments in technology in the last three years.

Technology Strategy
(56 Companies)

- 55 companies identify technology as a key corporate strategy

- 55 companies made major investments in the past 3 years

- Compared to the competition companies feel they use technology

    - a lot more   15
    - a little more 30
    - about the same   11

Although all but one of the companies made major investments in technology in the last three years, only **15** CEOs believe their companies use a lot more technology than their competitors. The remaining **41** companies reported they are just keeping pace in the technology race.

USE OF TECHNOLOGY

There is a fairly well-defined hierarchy of applications to help identify and classify the uses of today's technology.

Using this hierarchical classification system we tried to assess, in general terms, how sophisticated the surveyed companies have become in applying technology.

The classification system comprised the following categories:

- *TO CONTROL/REDUCE COSTS:* Examples - using technology to process routine data; to automate accounts, payroll, billings, etc.; for statistical control; for electronic mail.

- *TO ENHANCE QUALITY:* Examples - using technology to manage data; to measure, minimize and eliminate defects, delays and maintenance; to manage inventory; to improve customer service; for process control.

- *FOR NEW PRODUCTS OR SERVICES:* Examples - using technology to design and produce new products, processes or services (e.g. robotics, electronic design automation); to produce and market technologically dependent products or services (e.g. desktop publishing, animation, automotive electronics).

- *FOR STRATEGIC MANAGEMENT:* Examples - using technology to assist decision making or to improve the speed, quality and effectiveness of managing; using technology to electronically link customers or suppliers.

- *NEW CONCEPTS:* Examples - using technology to potentially change the way people think, work or live (e.g. smart systems, telemedicine, telecommuting, end-to-end electronic order/distribution systems, smart houses, or emergency services such as 911).

In the foregoing hierarchy, controlling/reducing costs is the least sophisticated use and applying technology for new concepts or new paradigms is the most sophisticated. The following chart summarizes the responses we received.

Use of Technology
(56 Companies)

Legend: A Great Deal / Somewhat / Not At All

Y-axis: Number of Companies (0 to 60)

- Control/Reduce Costs: 50, 6, 0
- Enhance Quality: 44, 12, 0
- New Products/Services: 42, 11, 3
- Strategic Management: 28, 25, 3
- New Concepts: 18, 32, 6
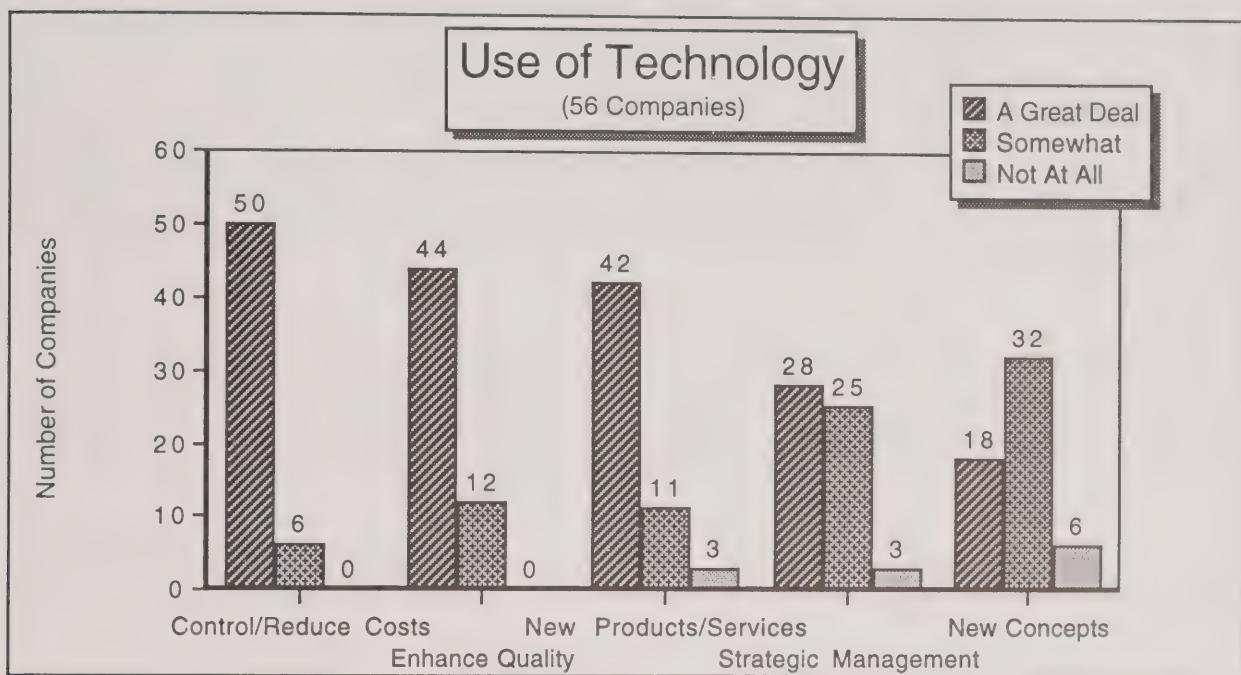
In summary, while a high percentage of the companies reported using technology a great deal in the first three categories, the results were variable for categories four and five.

Our analysis also showed that of the **41** companies which are manufacturers or processors, **32** reported using technology a great deal for new products and services but only **13** reported using technology a great deal for new concepts.

CHAPTER 7 - QUALITY

INTRODUCTION

The business community has displayed a high level of interest in the concepts of total quality and the implementation of total quality programs.

In this part of the survey, we asked how many companies had total quality programs and to what degree their employees actively participate in these programs. We asked about the techniques they use to monitor and measure the success of these programs.

The survey team did not attempt to verify whether a company's total quality program was, in fact, a total quality approach: we relied on the assessment of the CEO. Nor did the survey team attempt to judge whether the implementation of any total quality program has been successful.

Finally, quality initiatives such as ISO 9000, were not considered to be total quality programs for the purposes of this survey.

TOTAL QUALITY PROGRAMS

As reported earlier, **36** companies identified total quality as one of their key strategic directions. However, **39** companies reported that they have implemented total quality programs albeit some of these are just getting underway. A few others, particularly in the manufacturing sector, have implemented somewhat narrower quality initiatives such as ISO 9000.

Total quality programs are known by many names (e.g. *Total Quality Management* [TQM], *Continuous Improvement Process* [CIP], *Continuous Quality Improvement* [CQI], *Total Quality Service* [TQS], *Total Customer Satisfaction* [TCS], *Six Sigma*), but most have a number common components. We asked the CEOs who used total quality programs whether their program included any of these components and the next chart shows the affirmative responses:

Total Quality Programs
(39 Companies)

Category	Number of Companies
Targets	33
Communication Programs	32
Documentation	31
Customer Quality Surveys	28
High Employee Participation	22
Employee Buy-in Surveys	18

Number of Companies
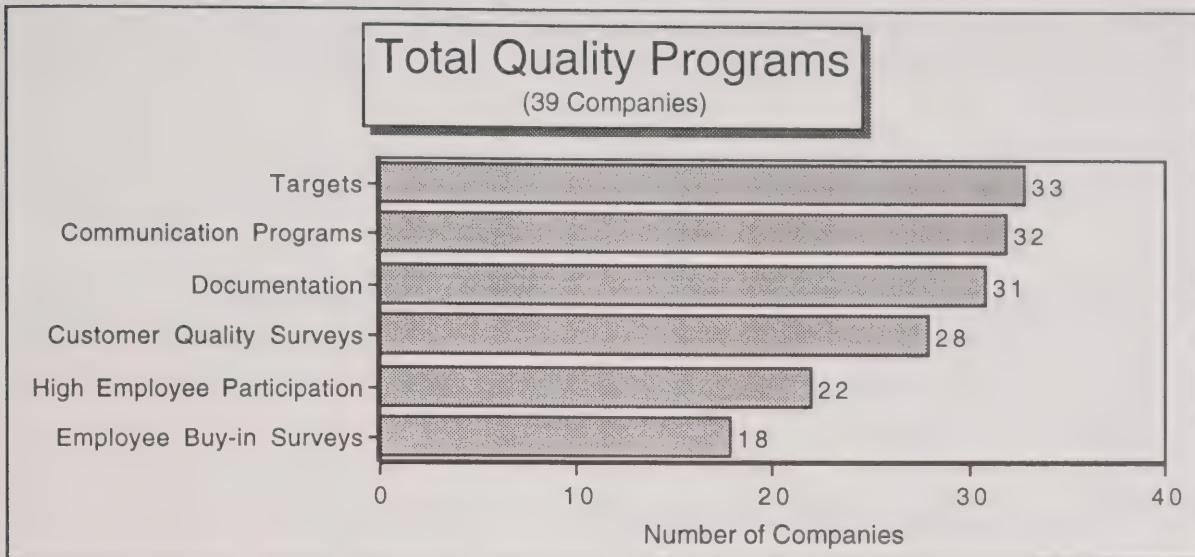
We analysed the results by industry sector and by employee population size but did not find any significant differences among these groupings.

We asked the CEOs to rate the success of their total quality programs and received the following responses.

Total Quality Programs - Degree of Success
(39 Companies)

Category	Number of Companies
High	21
Satisfactory	8
Too Early to Tell	9
No Measurement	1

Number of Companies
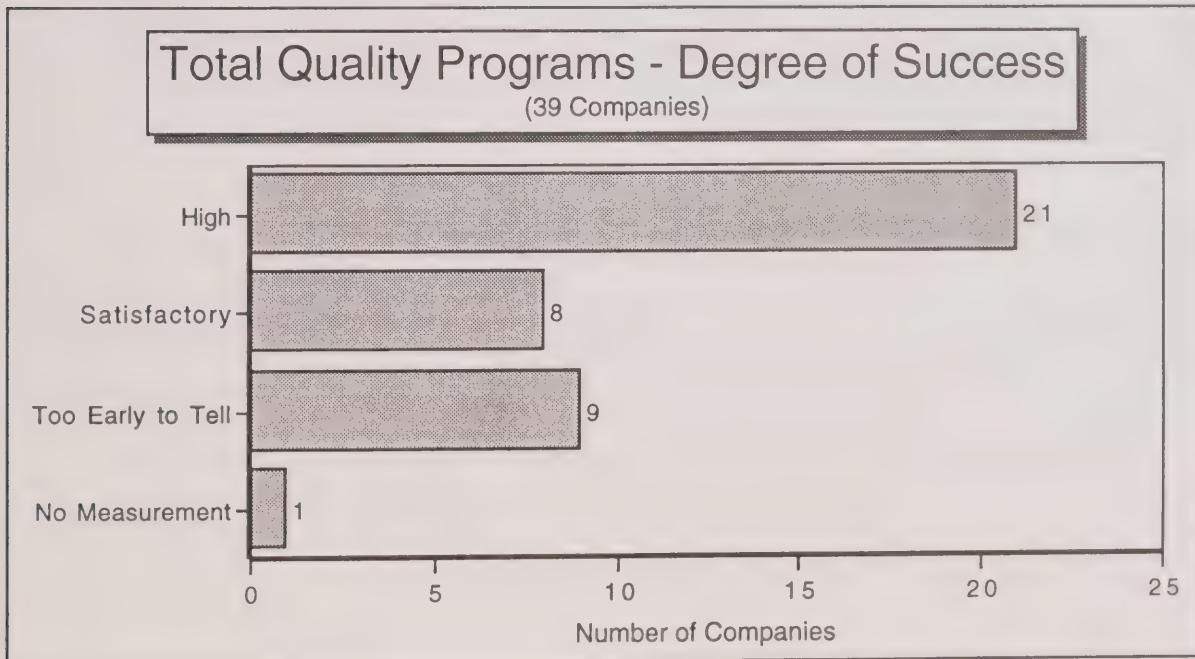
As already indicated, a number of these programs are just getting underway. **9** CEOs felt it is too early to judge success or otherwise.

We analysed the results by industry sector and employee population size and found no significant differences among these categories.

IMPLEMENTATION OF TOTAL QUALITY PROGRAMS

During the course of the survey, we determined that there are two distinct approaches to implementing total quality programs:

- *Corporate-wide implementation*

  The program is implemented throughout the entire organization from the outset. In this top down approach, the CEO usually takes on the role of the champion. The program is identified as part of the strategic plan, and as such becomes a senior management priority.

  This approach normally involves a large-scale training program to teach all employees about quality concepts and to secure their support and participation. There is frequently a major emphasis on teamwork. Also, this approach is usually accompanied by a highly visible communications program.

- *Selected implementation*

  Using this approach, the firm selects one or more departments or functions to begin the process of seeding total quality concepts in the organization. Often these departments or functions are chosen because the type of work being performed lends itself more readily to quality techniques, or, as happens more frequently, because the managers in these areas are progressive and have good leadership qualities. Senior management makes every effort to praise and reward the employees in these groups for the progress they are making.

  By setting these groups up as models for the rest of the organization, senior management is expecting that the resulting peer reaction will lead to a wider diffusion of quality concepts throughout the firm.

Each approach has its own advocates and there is general agreement that there is no right or wrong way. The best approach depends on the particular circumstances of each firm.

GENERAL OBSERVATIONS

Total quality programs have come under considerable scrutiny lately. Some commentators are questioning whether these programs are achieving the anticipated results, or whether they are just another management fad.

According to our survey, the companies which have implemented, or are starting to implement, total quality programs, are going full-speed ahead with these programs. For the most part, the CEOs interviewed feel these programs are achieving positive results.

As observed earlier, these programs are also driving substantial changes in the way work is being performed. There is also every indication that these programs are causing some changes in human resource practices, for example variable compensation. Companies are also starting to implement more sophisticated measurement techniques because of total quality programs.

However, of the **39** companies which have total quality programs, only **28** use formal programs to measure customer satisfaction with their quality initiatives. Only **18** use formal programs to assess the extent of their employees' buy-in to these programs.

In our survey, **21** companies rated the success of their total quality program very high and **18** of these use formal customer satisfaction surveys with a component directed specifically at quality.

CHAPTER 8 - MEASUREMENTS AND REWARDS

INTRODUCTION

There is an extensive body of opinion which contends that employers cannot expect employees to change their behaviour and the way they work unless the companies change the way they measure and reward their employees.

There is also a widely held view that companies need to change measurement systems or introduce new measurement systems and feedback mechanisms to gauge the performance of their business operations better.

In this part of the survey, we asked to what extent the companies used measurement and rewards to influence the way their employees work. We also sought information about the measurement and feedback techniques they use to help gauge the performance of their firms.

MEASUREMENTS TO INFLUENCE BEHAVIOUR

Both operational measurements and human resource measurements can influence the behaviour of employees in a firm. We found:

Measurements & Rewards- Changes
(56 Companies)

- 32 have changed operational measurements

- 25 have changes human resource measurements and rewards

- 28 are reengineering horizontal processes

Just over one-half the sample have changed their operational measurements and just under one-half have changed their human resource measurements.

The need to introduce new measurements often prompts a review of the firm's major horizontal business processes. This has led many firms to redesign or, as is more commonly stated, to *re-engineer* their horizontal processes. We found **28** companies in the survey are re-engineering their horizontal processes. In asking this question we found out that many companies have concluded there are between **12** and **16** major horizontal processes. We also learned that at least two companies demonstrate their **"re-engineering techniques"** to other companies so often, they are now marketing this consulting service.

REWARDS TO INFLUENCE BEHAVIOUR

We found a number of human resource reward programs are being used to influence behaviour. We asked each CEO whether their company has extended any of the following reward programs to non-management employees and received the following affirmative responses.

Rewards
(56 Companies)

- 32 -- merit pay
- 31 -- variable compensation
- 22 -- profit sharing
- 27 -- stock purchase plans
- 44 -- awards/recognition

MEASUREMENTS TO JUDGE PERFORMANCE

Current management literature is urging companies to do more benchmarking of their products, services and processes. We were interested in finding out how many companies in the survey have a formal discipline in place to benchmark their products or services against the best products or services their competitors have to offer. We also wanted to know how many have a formal discipline in place to seek out the best business processes and practices from whatever source and benchmark their own business processes and practices against these.

Because of the links between targets and improved performance, we were also interested in finding out how many use formal quality targets to measure the progress of their quality programs and how many companies use performance appraisals to assess the quality of the performance of their employees. We received the following affirmative responses.

Measurements
(56 Companies)

- 35 -- benchmarking - best products/services
- 25 -- benchmarking - best business practices
- 33 -- quality targets
- 50 -- performance appraisals

Many of the CEOs whose companies are not presently doing formal benchmarking stated they should be.

FEEDBACK MECHANISMS

We asked the CEOs to identify the formal mechanisms, if any, the company is using to obtain feedback from its employees and its customers. We received the following responses:

Feedback Mechanisms
(56 Companies)

- 27 use employee satisfaction surveys
- 36 use "bottom up" communications channels
- 39 use customer satisfaction surveys
- 28 use customer quality satisfaction surveys
- 47 use programs to understand customers needs and wants

From the data it appears there is a strong correlation between total quality programs and changes in measurements. 32 of the 39 companies with a total quality program have made changes in their operational or human resource measurements. Also, 28 of these companies reported they have formal programs to understand their customers' needs and wants and use customer satisfaction surveys which include a component specifically directed at quality.

CHAPTER 9 - SIGNIFICANT FINDINGS

The following are some of the more significant findings from the data obtained during the survey:

- *Strategic Plans:* - **47** of the **56** companies have a strategic planning process and **2** have just begun this process.

- *Technology:* - **55** companies state that technology is a key part of their corporate strategy and all these companies have been making significant investments in technology in the last 3 years.

- *Global orientation:* - **51** companies have a global orientation. **31** of these are Canadian-owned and, of this number, **28** have established a physical presence in one or more foreign jurisdictions.

- *Benchmarking:* - While a number of companies are doing rather sophisticated benchmarking, many are not. **35** are benchmarking their products or services against the best products and services their competitors have to offer. **25** are benchmarking against best business practices wherever they can be found. However, a number of the companies which are not doing benchmarking admitted they should be.

- *Organization of work:* - Most companies are at least experimenting with innovative approaches to the organization of work but fewer than half have implemented changes extensively throughout the firm. There were **44** companies in the sample which had made some changes in the organization of work. Of those, **26** had made extensive changes and another **7** are considering extensive changes. There is a growing recognition of the need to do more.

- *Measurements:* - While the vast majority of the companies surveyed (**44**) are in the process of making changes in the way work is organized, only **32** have made significant changes in their operational measurement systems and only **25** have made significant changes in their human resource measurements.

- *Total quality:* - While a substantial number of the companies have implemented some form of Total Quality or Continuous Improvement Program **(39)**, a slightly smaller number **(28)** are using customer satisfaction surveys to measure their customers' assessment of these programs, and fewer still **(18)** are using employee surveys to assess the extent of employee buy-in.

- *Two models of implementation:* - There appear to be two main models which are providing impetus for significant change in organizations. The one is the *"employee-centred"* approach which is usually driven by an emphasis on improving productivity and efficiency. The other is the *"total quality"* approach which is driven by a desire to dramatically improve quality across the organization. Recently, as more firms are implementing total quality programs, this model is becoming the major driver of change.

- *Key factors in implementation of change:* - It is generally recognized that the following are the key factors in achieving behavioral change in an organization:

  - *Strong executive support*

  - *Extensive employee involvement*

  - *New measurements and rewards*

  - *Patience and perseverance*

LIST OF PARTICIPATING COMPANIES

Acres Incorporated - *Toronto*
Agra Industries Limited - *Mississauga*
Alias Research Inc. - *Toronto*
Ault Foods Ltd. - *Toronto*
Babcock & Wilcox Ltd. - *Cambridge*
Binney & Smith (Canada) Ltd. - *Lindsay*
Blyth and Company - *Toronto*
Budd Canada Inc. - *Kitchener*
Campbell Soup Company - *Toronto*
Canada Trust - *Toronto*
Canadian Imperial Bank of Commerce - *Toronto*
Canadian Pacific Hotels Corporation - *Toronto*
CCL Industries Inc. - *Markham*
Ciba-Geigy Canada Ltd. - *Mississauga*
Cognos Incorporated - *Ottawa*
Court Industries Ltd. - *St. Catharines*
Cuddy Food Products - *London*
Delcan Corporation - *Toronto*
Devtek Corporation - *Markham*
Digital Equipment of Canada - *Kanata*
Dow Chemical Canada Inc. - *Sarnia*
E. D. Smith and Sons Ltd. - *Winona*
Ellis-Don Construction Ltd. - *London*
Epton Industries Inc. - *Kitchener*
Ford Electronics Manufacturing Corporation - *Markham*
Four Seasons Hotels - *Toronto*
Gandalf Technologies - *Kanata*
Gennum Corporation - *Burlington*
GSW Inc. - *Fergus*
Hayes-Dana Inc. - *St. Catharines*
Hewlett-Packard (Canada) Ltd. - *Mississauga*
Hughes-Leitz Optical Technology Ltd. - *Midland*
Husky Injection Molding Systems Ltd. - *Bolton*
IBM Canada Ltd. - *Markham*
Kellogg Canada Inc. - *Toronto*

Kodak Canada Inc. - *Toronto*
Long Manufacturing Inc. - *Oakville*
Lumonics Inc. - *Kanata*
Manufacturers Life Insurance Company - *Toronto*
Milne & Nicholls Ltd. - *Toronto*
Monsanto Canada Inc. - *Mississauga*
Nidak Associates Inc. - *Toronto*
North American Life Assurance Company - *Toronto*
Northern Telecom Canada - *Toronto*
Pepsi-Cola Canada Ltd. - *Toronto*
Rubbermaid Canada Inc. - *Mississauga*
Scepter/Canron Inc. - *Toronto*
Schneider Corporation - *Kitchener*
Seeburn Metal Products Ltd. - *Tottenham*
Siemens Electric Ltd. - *Mississauga*
Theratronics International Limited - *Kanata*
3M Canada Limited - *London*
Trojan Technologies Inc. - *London*
The Upjohn Company of Canada - *Toronto*
The Upper Canada Brewing Company - *Toronto*
Xerox Canada Ltd. - *Toronto*